

The carbon credit system is a market-based mechanism that aims to reduce greenhouse gas emissions by assigning a monetary value to each ton of carbon dioxide (CO₂) or equivalent (CO₂e) emitted. Under this system, countries or entities that emit less than their allocated quota of CO₂e can sell their surplus credits to those that exceed their quota, creating an incentive for low-carbon development. The carbon credit system is based on the principle of "cap and trade", which sets a limit on the total amount of CO₂e that can be emitted in a given period, and allows the market to determine the price of each credit. The carbon credit system can be implemented at different levels, such as national, regional, or sectoral, and can involve different types of credits, such as certified emission reductions (CERs) from projects under the Clean Development Mechanism (CDM), emission reduction units (ERUs) from projects under the Joint Implementation (JI), or allowances from schemes such as the European Union Emissions Trading System (EU ETS). The carbon credit system is one of the main tools to achieve the goals of the Paris Agreement, which aims to limit the global temperature rise to well below 2°C above pre-industrial levels by 2100.